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DE RUEHBR #1017 1461758
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P 261758Z MAY 06
FM AMEMBASSY BRASILIA
TO RUEHC/SECSTATE WASHDC PRIORITY 5474
INFO RUEHRG/AMCONSUL RECIFE PRIORITY 4829
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUEHSO/AMCONSUL SAO PAULO 7024
RUEHRI/AMCONSUL RIO DE JANEIRO 2132
RUEHBU/AMEMBASSY BUENOS AIRES 4030
RUEHSG/AMEMBASSY SANTIAGO 5521
RUEHAC/AMEMBASSY ASUNCION 5445
RUEHMN/AMEMBASSY MONTEVIDEO 6260
RUEHRH/AMEMBASSY RIYADH 0034
RUEHME/AMEMBASSY MEXICO 1975
RUEHCV/AMEMBASSY CARACAS 3255
RUEHBO/AMEMBASSY BOGOTA 3756
RUEHQH/AMEMBASSY QUITO 1828
RUEHLP/AMEMBASSY LA PAZ 4598
RUEHPE/AMEMBASSY LIMA 2999
RUEHC/USDOC WASHDC
RHEBAAA/USDOE WASHDC
RHEHNSC/NSC WASHDC
RUEHMD/AMEMBASSY MADRID 0568
RUEHMO/AMEMBASSY MOSCOW 0304
RUEHJI/AMCONSUL JEDDAH 0005
RUEHNY/AMEMBASSY OSLO 0036

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DOE FOR S.LADISLAW
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STATE PASS TO FED BOARD OF GOVERNORS FOR ROBITAILLE
USDOC FOR 4332/ITA/MAC/WH/OLAC/JANDERSEN/ADRISCOLL/MWAR D
USDOC FOR 3134/ITA/USCS/OIO/WH/RD/SHUPKA
STATE PASS USAID FOR LAC

E.O. DECL: 05/25/2016

TAGS: EPET EINV ECON PREL BR EC

SUBJECT: BRAZIL'S PETROBRAS: NO INTENTION OF TAKING OVER OXY'S
ECUADOR ASSETS

REF: A) STATE 81527 B) BRASILIA 1006

Classified by Economic Counselor Bruce Williamson, reasons 1.4
(b) and (d).

¶1. (C) In separate meetings on May 23, visiting WHA Assistant
Secretary Thomas Shannon and the Charge delivered ref A points

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to President Lula's chief of Staff, Dilma Rousseff, as well as Foreign Ministry Under Secretaries Felicio and Patriota. A/S Shannon stated that Ecuador's dispute with Occidental Petroleum had presented the USG with a big problem and added that how it was handled could easily impact the coming elections in that country. Occidental is poised to take the GOE to arbitration and the USG may open government-to-government talks under our Bilateral Investment Treaty (BIT) and possibly even take action against Ecuador's preferential market access privileges. The USG is trying to approach the issue in a way that is non-inflammatory, but the GOE must be made to understand how serious a problem this could be. U/S Felicio noted that the GOE had contacted Petrobras about helping out in managing recently nationalized sectors, but Petrobras emphatically declined, noting that it had a very full plate at the moment.

¶2. (SBU) The Charge also made ref A points to Petrobras International Director Nestor Cervero in a May 26 meeting at Petrobras headquarters in Rio de Janeiro (see septel). Cervero stated that Petrobras had no intention of taking over

Occidental's Ecuador assets. He noted that Petrobras and Occidental were partners in several projects in the United States and that it would be bad policy for Petrobras to undermine its relationship with Occidental by taking over its Ecuador assets. A similar situation had come up with regard to Sudan, Cervero stated, and Petrobras had likewise demurred. Petrobras does not intend to abandon its other Ecuador projects despite the GOE action against Occidental, he added.

CHICOLA